Item to Mayoral Committee

14 March 2012

SUBJECT: DRAFT REVIEWED INTEGRATED DEVELOPMENT PLAN (IDP) AND DRAFT MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF): 2012/2013 TO 2014/2015 TO BE TABLED TO COUNCIL AT THE END OF MARCH 2012

PURPOSE

To Table the Draft Reviewed Integrated Development Plan and the Draft Medium Term Revenue and Expenditure Framework for the 2012/2013 to 2014/2015 financial period in terms of Section 16 of the Municipal Finance Management Act.

EXECUTIVE SUMMARY

HIGH LEVEL BUDGET INFORMATION

Consolidated Overview of the 2012/13 MTREF

	Adjustment Budget 2011/12	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Total Operating Revenue	21,348,305,775	23,838,178,329	26,436,530,356	29,292,673,469
Total Operating Expenditure	21,097,809,472	23,383,287,302	25,587,830,602	28,094,572,756
Surplus/(Deficit) for the year	250,496,303	454,891,027	848,699,934	1,202,145,713
Total Capital Expenditure	2,252,103,854	2,572,707,810	2,616,484,291	2,781,990,625

Total operating revenue has grown by 11.66% or R2.489 billion for the 2012/13 financial year when compared to the 2011/12 Adjustments Budget. For the two outer years, operational revenue will increase by 10.9% and 10.8% respectively, equating to a total revenue growth of R5.4 billion over the MTREF when compared to the 2012/13 financial year.

Total operating expenditure for the 2012/13 financial year has been appropriated at R23.383 billion and translates into a budgeted surplus of R455 million. When compared to the 2011/12 Adjustments Budget, operational expenditure has grown by 10.83% in the 2012/13 budget and by 9.43% and 9.78% for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to R848 million and then to R1.202 billion. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R2.57 billion for 2012/13 is 14.3% more when compared to the 2011/12 Adjustment Budget. The increase is due to some projects being delayed and rolled over to the 2012/13 financial year.

The capital programme increases to R2.61 billion in the 2013/14 financial year and then to R2,78 billion in the 2014/15 financial year.

A substantial portion of the capital budget will be funded from borrowing over MTREF with anticipated borrowings of R955 million in 2012/13 financial year (R800 million in terms of new bond and R155 million transferred from previous year). Borrowing is estimated at R785 million in the 2013/14 financial year. The balance will be funded from government grants and transfers as well as internally generated funds.

The repayment of capital and interest (debt services costs) has substantially increased over the past five years as a result of the aggressive capital infrastructure programme

implemented over the past three years. Consequently, the capital budget remains relatively flat over the medium-term.

Proposed tariff increases (this is the actual percentage cost increase that the consumer will receive) – tariff increases are mainly based on the cost of bulk services as well as other departmental specific cost drivers. An example of other cost drivers includes the cost of the maintenance waste disposal sites as well as vehicles in the case of solid waste. The individual tariff increases are:

- Assessment Rates – 7.50% (all categories)
- Electricity – Income increase of 11.03%, individual increases ranging from a decrease of 12% (indigents with 50 units FBE) to a 13.5% increase.
- Water – 11.3% for both residential and business (block tariffs are being restructured)
- Sanitation – 10.68% for both residential and business (block tariffs are being restructured)
- Solid Waste – 15% for both residential and business

The following attachments are provided:

SECTION ONE: INTEGRATED DEVELOPMENT PLANNING

Annexure A	Draft Reviewed Integrated Development Plan (IDP)

SECTION TWO: MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK

Annexure B	Draft Medium Term Revenue and Expenditure Framework – Metro Totals in Excel format
Annexure C	Draft Medium Term Revenue and Expenditure Framework – Complete Budget Document as per Budget and Reporting Regulations
Annexure D	Draft Detailed Departmental Capital Budgets
Annexure E	Draft Property Rates Tariff Schedule inclusive of exemptions, rebates and reductions
Annexure F	Draft Water and Sanitation Tariff Schedule
Annexure G	Draft Electricity Tariff Schedule
Annexure H	Draft Solid Waste Tariff Schedule
Annexure I	Draft Departmental Sundry Tariff Increases
Annexure J	Draft Municipal Entity D Schedules

SECTION THREE: SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN

Annexure K	Draft Departmental Service Delivery Budget Implementation Plan (Measurable Performance Indicators section) (SDBIP)
Annexure L	Draft Capital Budget per Ward

SECTION FOUR: BUDGET RELATED POLICIES RECOMMENDED FOR AMENDMENT

Annexure M	Draft Property Rates Policy (as reviewed)
Annexure N	Draft Electricity Tariff Policy (as reviewed)
Annexure O	Draft Provision of Free Basic Electricity Policy (as reviewed)
Annexure P	Draft Water and Wastewater Tariff Policy (as reviewed)
Annexure Q	Draft Provision of Free Basic Water and Wastewater Policy (as reviewed)
Annexure R	Draft Solid Waste Tariff Policy (as reviewed)

Annexure S	Draft Credit Control & Debt Collection Policy (as reviewed)
Annexure T	Draft Indigent Policy (as reviewed)
Annexure U	Draft Policy on electricity metering for residential and small business customers in the Ekurhuleni Metropolitan Municipality (as reviewed)
Annexure V	Draft Planning and Approval of Capital Projects (as reviewed)
Annexure W	Draft Long Term Funding Policy (as reviewed)
Annexure X	Draft Cash Management Policy (as reviewed)
Annexure Y	Draft Investment Policy (as reviewed)
Annexure Z	Draft Funding and Reserves Policy (as reviewed)
Annexure ZA	Draft Grants in Aid Policy (as reviewed)
Annexure ZB	Draft Asset Accounting Policy (as reviewed)
Annexure ZC	Draft Uniform Cell Phone Policy (as reviewed)

Section 16 of the MFMA dealing with the tabling of annual budgets, inter alia, reads as follows:

1) *The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.*

2) *In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.*

3) *Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.*

Section 24 of the MFMA dealing with the approval of annual budgets and, inter alia, reads as follows:

1) *The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.*

2) *An annual budget-*

   a) *must be approved before the start of the budget year;*
   b) *is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and*
   c) *must be approved together with the adoption of resolutions as may be necessary-*

      i. *imposing any municipal tax for the budget year;*
      ii. *setting any municipal tariffs for the budget year;*
      iii. *approving measurable performance objectives for revenue from each source and for each vote in the budget;*
      iv. *approving any changes to the municipality's integrated development plan; and*
      v. *approving any changes to the municipality's budget related policies.*

3) *The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.*

DISCUSSION

PROCESS FOLLOWED

Initial Departmental Budget Request Submissions

- The key deadlines for the compilation of the IDP and Medium Term Revenue and Expenditure Framework (MTREF, or Budget) was submitted to Council for approval during August 2011 as required by section 21(b) of the MFMA. In terms of the approved key deadlines, the IDP and Budget must be tabled to Council at the end of March 2012 Council meeting. Public Participation is scheduled for April 2012 with final adoption of the IDP and Budget during May 2012. This means that this draft of the budget is not being put forward for final approval, but is merely noted as a draft that can be used as basis for community consultation.
- The departments received budget compilation guidelines and templates to be submitted in support of their budget requests during September 2011.
- Departments duly complied and submitted their Operating and Capital Budget requests to the Finance department for consolidation during October 2011. Consolidation of the departmental input received and analysis of the requests took place during November and December 2011.

Scrutiny of Departmental Requests

- The Project Monitoring Office (PMO) with the Finance Department met with all departments during end 2011 to discuss both their adjustment budget request as well as the budget request for the 2012/2013 to 2014/2015 financial period. The PMO expressed an opinion (per department) on the departmental readiness to implement the capital projects for which funding were requested. This report contains details on the readiness of the departments within the cluster.
- To further ascertain departmental readiness to implement the the capital projects for which funding were requested, heads of departments had to confirm in writing that:
    - Project plans have been drafted in terms of the requirements of the PMO
    - Availability of land (i.e. land has been secured either through the land availability agreement, purchase, finalisation of zoning, etc.)
    - Availability of bulk services (i.e. water, sanitation, electricity, roads, ICT networks and public transport are available, or have been considered and the non-availability will not have a negative impact on the project. This must be certified by both the head of the requesting department as well as the head of the department responsible for the service in question).
    - Availability of operating expenditure in future years for the operationalisation of the project. This will include salaries, overhead costs, maintenance, etc.
    - Agreement has been reached with the implementing department (mainly insofar as buildings and other physical structures that are project managed by the Facilities Management department) that they do have the capacity to implement the project as budgeted.
    - That the requesting department can implement the projects as requested taking the current departmental capacity constraints into account.
- The Organisational Performance Management Team scrutinized the budget submissions to ensure alignment with the IDP and SDBIP. This process led the amendments to the IDP and SDBIP (both in terms of the amending targets and adding targets). The process, however, is still ongoing and further amendments to the IDP and SDBIP will be made as the alignment between the IDP and Budget are finalized. The process of prioritization of programmes to fit within the available

funding is being refined to ensure that the presented budget best reflects the IDP goals.

Budgets of Municipal Entities

The budgets of the Municipal Entities were evaluated with the budgets of the EMM departments responsible for the entities. The budgets are presented with the departmental budgets in this report. The full National Treasury D Schedules are also attached as Annexure J of this report.

IDP, Budget, Assets and Liabilities Committee (IBALCO)

The IBALCO meeting has been set up as a subcommittee of the City Manager's Strategic Management Team (SMT) process. This committee is tasked with the technical evaluation of departmental budget requests.

The following IBALCO meetings took place:

- 26 January 2012: City Manager and Chief Financial Officer scrutinized summarized budget information and provided strategic guidance to the IBALCO process.
- 30 January 2012: IBALCO meeting considered departmental capital budget requests.
- 31 January 2012: IBALCO meeting considered departmental capital budget requests (continuation) as well as proposed tariff increases.
- 1 February 2012: IBALCO meeting considered departmental operating budget requests.
- 16 February 2012: IBALCO meeting considered departmental capital budget and tariff increase recommendations for the Budget Steering Committee of the 17th February 2012.
- 20 February 2012: IBALCO meeting to consider final Cluster Budget submissions to be presented to MMC's.
- 27 February 2012: Senior Management Team (SMT) met to consider the final IDP and Budget proposals for consideration by the Budget Steering Committee on the 7th March 2012.

Budget Steering Committee

The Budget Steering Committee has been set up by the Executive Mayor in terms of section 4 of the Municipal Budget and Reporting Regulations.

The Budget Steering Committee is chaired by the MMC Finance and the membership is as follows:

- Executive Mayor (Ex officio)
- MMC Finance (Chairperson)
- Mayoral Committee Cluster Chairpersons
- City Manager
- Chief Financial Officer
- Chief Operating Officer
- ED Housing
- ED Roads and Transport
- ED Electricity
- ED Water and Sanitation

- ED HR
- Head EPMO
- GM OPM
- Director Budget and Financial Management
- Director IDP
- Director PMO

The following meetings were held by the Budget Steering Committee:

- 6 October 2011 – Budget Steering Committee considered budget methodology to be applied
- 17 February 2012 – Budget Steering Committee considered first draft capital and operating budget, inclusive of tariffs
- 7 March 2012 – Budget Steering Committee considered second draft capital and operating budget, inclusive of tariffs, budget related policies, IDP and SDBIP

The Draft Reviewed Integrated Development Plan and the Draft Medium Term Revenue and Expenditure Framework for the 2012/2013 to 2014/2015 financial period was discussed by the Mayoral Committee at the Mayoral Lekgotla between the 13^{th} and 16^{th} March 2012.

INTEGRATED DEVELOPMENT PLAN AND SDBIP

The Logic Framework planning model was adopted in formulating the departmental plans for the next 5 years. In terms of section 34 of the Municipal Systems Act, 32 of 2000, the council must annually review its Integrated Development Plan in terms of a predetermined process. This process was adopted by the Council on 18 August 2011.

The review of the Integrated Development Plan (IDP) in terms of the Municipal Systems Act is guided and informed by the following:

- It must support and work towards achieving the Vision and Mission of EMM.
- Working towards the achievement of the EMM GDS 2025 Outcomes and Milestones (The GDS 2025 has been under review but has not been finalised yet and this process is still in progress)
- Addressing the National Outcomes set by Parliament
- Focus on service delivery in terms of the eradication of backlogs and the maintenance of infrastructure.
- Provincial plans and programmes applicable to the specific. Budget allocations by the respective provincial sector departments to these projects should also be reflected as far as possible.

All departments were part of the process of setting the IDP and SDBIP in terms of the Logic Framework format. This process were refined and improved from October 2011 to January 2012. The process focussed on formulating and improving measurable performance indicators targets set for each of the years moving to 2016.

The outcome of this process, which reflects the key results to be achieved by the various departments of which details are contained in the Draft Departmental IDP and SDBIP.

CAPITAL BUDGET

Projects already approved as part of the MTREF approved for the period 2011/2012 to 2013/2014. Projects already approved and already commenced with that must be completed during the 2012/2013 to 2014/2015 financial period were allocated the funding as per the approved MTREF.

Projects previously approved in the 2011/2012 to 2013/2014 MTREF but not yet planned nor commenced with, were subjected to departmental project prioritisation taking changed priorities and service delivery pressures into account.

To this end, project requests were categorised as follows:

- Projects previously approved, with planning in place and construction either commencing or continuing during 2012/2013 – R2,138,696,191
- Projects not yet planned, but will be planned during the 2012/2013 financial year with construction to follow thereafter – R164,514,000
- Projects not yet planned and planning will only commence during the 2013/2014 financial year with construction to follow thereafter – R125,178,491
- Projects not yet planned and planning will only commence during the 2014/2015 financial year with construction to follow thereafter – R102,641,000
- Vehicles – R189,410,000
- ICT equipment (excluding networks, i.e. departmental ICT needs) – R26,754,500
- Furniture – R27,688,119
- Specialised Equipment – R24,645,000

Projects were subjected to project prioritisation based on the interim project prioritisation model approved by Council during April 2011 for utilisation in the 2012/2013 budget cycle. The various categories in the project prioritisation model carry the following budget requests:

- Revenue generating projects – R293,870,000 (11.42%)
- Projects to reduce cost – R48,900,000 (1.90%)
- Refurbishment of Infrastructure resulting from the maintenance backlog – R1,048,890,200 (40.77%)
- Creation of sustainable human settlements in terms of infrastructure services (Physical) – R807,361,591 (31.38%)
- Creation of sustainable human settlements in terms of infrastructure services (Social) – R205,240,000 (7.98%)
- Governance Projects – R89,358,400 (3.47%)
- Operational Equipment (Furniture, ICT Equipment, and Technical Equipment) – R79,087,619 (3.07%)

The National Treasury has set a benchmark of 39% - 40% of the capital budget to be spent on renewal projects were taken into account. This draft budget allocates 40.77% for asset renewals.

Impact of proposed projects on the operational budgets of future years was evaluated. It is not sustainable to construct facilities where there are not sufficient operating funds available to operationalize the facilities.

OPERATING BUDGET

- Realistic revenue projections – the revenue projections for the 2011/2012 financial year were used as departure point to determine whether the current revenue budget is realistic and can be achieved. Where this was found to not be the case, an adjustment was made to the revenue budget for the 2012/2013 to 2014/2015 financial period to ensure a true reflection of the actual amounts to be received.

- Growth projections – growth projections refer to the increase in the number of units consumed for the service. It does not refer to the increase in the tariff, nor does it reflect the total increase in income. It is expressed as a percentage which represents the percentage increase in units consumed. Growth projections are determined per service which is driven by service specific trends. Electricity, as an example, is now expected to show a growth rate as a result of the considerably lower than expected tariff increase (which should stimulate the economy) and water shows a greater growth rate due to the increased revenue targets to be achieved as part of the eradication of water losses project. The individual growth rates are:

    - Assessment Rates – 1.7%
    - Electricity – 1,07%
    - Water – 2.9% (inclusive of water loss eradication target)
    - Sanitation – 2.9%
    - Solid Waste – 1.7%

- Proposed tariff increases (this is the actual percentage cost increase that the consumer will receive) – tariff increases are mainly based on the cost of bulk services as well as other departmental specific cost drivers. An example of other cost drivers includes the cost of the maintenance waste disposal sites as well as vehicles in the case of solid waste. The individual tariff increases are:

    - Assessment Rates – 7.50% (all categories)
    - Electricity – Income increase of 11.03%, individual increases ranging from a decrease of 12% (indigents customers with 50 units FBE) to a 13.5% increase.
    - Water – 11.3% for both residential and business (block tariffs are being restructured)
    - Sanitation – 10.68% for both residential and business (block tariffs are being restructured)
    - Solid Waste – 15% for both residential and business

- Affordability of tariff increases – a model has been developed to test the affordability of tariff increases to ensure that tariffs are not increased at levels higher than what is affordable to residential consumers.

- Provision of Free Basic Services and support to residents of informal settlements.
    - Free basic water of 6kl per household per month (R304m p/a)
    - Free basic sewer of 6kl per household per month (R243m p/a)
    - Additional Free basic water of 3kl per household per month to indigent households (R8.8m p/a)
    - Additional Free basic sewer of 3kl per household per month to indigent households (R6.8m p/a)
    - Water lead fixing for indigent households (R2m p/a)
    - Free water (standpipes) to informal settlements (To be quantified – this service is currently not metered and the cost of the water is included in the

non-revenue water that is reflected on the annual financial statements. This cost will be quantified during the 2012/2013 financial year as water meters will be installed at the informal settlements. This cost will then be reflected as part of the social services rendered to informal settlements.)

- Provision of chemical toilets to informal settlements (R125m p/a)
- Proposed free basic electricity of 50kWh per month to indigent households ONLY. In the past this was provided to ALL Tariff A users and is now aligned to National Policy of providing only to indigents (R20 million per annum, based on a number of 50 000 indigents in all areas)
- Free basic electricity to Eskom supply areas (R60m p/a) – this amount is based on the FBE rate as per the NERSA guidelines and is further based on the number of registered indigents in the areas where Eskom supplies electricity to EMM residents.
- Once a week residential refuse round collection at no cost to indigent households (R46.7m p/a)
- Provision of a refuse collection service to informal settlements (not individual round collections, service performed by contractor) (R20m p/a)
- First R150 000 assessment rates exemption to residential properties (R599m p/a)
- 100% assessment rates rebate to indigent households (R21.6m p/a)
- Additional assessment rates rebates to pensioners (R38.5m p/a)
- Excess consumption of indigents which are written off on a monthly basis as per the indigent management policy (R400m p/a).

- One of the matters being investigated as part of the medium term budget policy is the alignment of social support with National policies to ensure the cost does not exceed the equitable share. This will include the review of the R150 000 assessment rates exemption to households (the Municipal Property Rates Act stipulates that the first R15 000 must be exempted). It could also include the review of the provision of 6kl of free basic water and sanitation to all households and not only to indigent households.

- Division of Revenue Act (DORA) allocations – the budget as presented is based on the 2012 DORA and Provincial Gazette for the 2012/2013 to 2014/2015 financial years.

- Compliance with regulatory body requirements – NERSA requirements insofar as the provision of free basic services, maintenance levels, cross subsidization, inclining block tariffs, etc. were taken into consideration in the evaluation of the operating budget.

- The total available revenue – once the total revenue envelope was set following the principles outlined above, expenditure allocations were considered. Total revenue comprises R23,838,178,329.

- Fixed costs were “top sliced” from the available funds. Fixed costs are costs that are non-discretionary over the medium term (i.e. it cannot be reduced to contractual or other commitments). The following cost categories are included in this section:

  - Human Resource Cost - R4,842,891,849
  - Depreciation and Amortization - R 2,200,737,898
  - Bulk Purchases - R 9,036,604,740
  - Provision for Bad Debt (based on a 92% collection rate) – R1,286,869,428
  - Interest Expense (external borrowings) – R 589,922,164

  - Contracted Services – R764,003,794

- Accounting provisions and internal / contra transactions to be made. Certain GRAP requirements must be accommodated in the expenditure budget as well as expenditure items related to revenue items must be included in the budget. These costs are as follows:

  - Loss of Disposal of assets – R25,000,000 (any assets that are sold, stolen, or otherwise disposed of for less than the book value of the asset is recorded as a loss. It is expected that housing stock will be transferred this year which will result in the loss on disposal of assets – this is an accounting entry and not a cash loss).
  - Operating Grants (expenditure associated with operating grants received, i.e. contra entry against revenue budget) – R64,013,000
  - Internal Charges – R400,688,354 (the total internal charges budget are being reviewed as per the guidance received in Circular 58 and the final budget may exclude this category).

- An amount of R4,627,447,102 was left from revenue after provision for the fixed costs have been made. These costs were recommended for disbursement as follows:

  - Repairs and Maintenance - R2,034,399,005
  - Collection Cost – R148,262,586
  - Grants and Subsidies – R889,824,423
  - General Expenses – R1,100,070,061

TARIFF INCREASES

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the City.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of both Eskom and Rand Water bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the City. Discounting the impact of these price increases in lower consumer tariffs will erode the City's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the City is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the City has undertaken the tariff setting process relating to service charges as follows.

Property Rates – Refer to detailed tariff schedule contained in Annexure E

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

In terms of section 15(2) of the Act, the following categories of owners have been determined:

- Residential
- Indigent owners
- Child headed households
- Pensioners
- Disability grantees/medically boarded persons
- Owners of property situated within an area affected by a natural disaster
- Municipal
- Sporting bodies
- Public benefit organizations / Non-Governmental Organisations (NGO's) and Cultural Organisations
- Protected areas
- Religious organisations
- Public & Private schools, universities & colleges
- Owners of property situated within an area affected by any other serious adverse social or economic conditions
- Owners of properties used for bona fide farming purposes

In terms of section 8 of the Act, a municipality may in terms of the criteria set out in its rates policy levy different rates for different categories of rateable property, which may include categories determined according to the –

- Use of the property
- Permitted use of the property
- Geographical area in which the property is situated.

In terms of section 15(1) of the Act, a municipality may in terms of criteria set out in its rates policy –

- Exempt a specific category of owners of properties, or the owners of a specific category of properties, from payment of a rate levied on their property; or
- Grant to a specific category of owners of properties, or to the owners of a specific category of properties a rebate on or a reduction in the rates payable in respect of their properties.

Categories of owners in respect of which rebates are granted may in accordance with section 15(2) include the following:

- Indigent owners
- Owners dependant on pensions or social grants for their livelihood
- Owners temporarily without income
- Owners of property situated within an area affected by –
  - A disaster within the meaning of the Disaster Management Act
  - Any other serious adverse social or economic conditions
- Owners of residential properties with a market value lower than an amount determined by the municipality; or
- Owners of agricultural properties who are bona fide farmers.

In terms of section 17 of the Act, the following rates applicable to council, are deemed to be "impermissible":

- the first 30% of the market value of Public Services Infrastructure;
- on those parts of a special nature reserve, national park or nature reserve within the meaning of the Protected Areas Act, or a national botanical garden;
- on mineral rights within the meaning of paragraph (b) of the definition of "property" in section 1;
- on the first R 15 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll of a municipality to a category determined by the municipality –
  - for residential purposes; or
  - for properties used for multiple purposes, provided one or more components of the property are used for residential purposes;
- on a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residential residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship.

Property rates increase by more than the 6% inflation target of National Treasury. This is directly linked to the fact the cost drivers of the municipality are not linked to CPI (as explained above) but rather to the Production Price Increase (PPI). PPI for December 2011 was 9.8% with an expected decrease to 9.5% during January and February 2012. The proposed 7.5% increase in property rates is thus deemed to be reasonable given the close on 10% PPI figure.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2012/13 financial year based on a 7.5 per cent increase from 1 July 2012 is contained below:

Category	Current Tariff (1 July 2011)	Proposed tariff (from 1 July 2012)
	c	C
Residential	0.0069	0.0074
Industrial	0.0174	0.0187
Business and Commercial	0.0139	0.0149
Farms - Agriculture	0.0017	0.0018
Farms - Commercial	0.0139	0.0149
Farms - Residential	0.0069	0.0074
Farms - Other	0.0017	0.0018
State Owned Properties	0.0139	0.0149
Municipal Properties	0.0139	0.0149

Category	Current Tariff (1 July 2011)	Proposed tariff (from 1 July 2012)
Public Services Infrastructure (PSI)	0.0017	0.0018
Private Towns	0.0069	0.0074
Smallholdings - Agriculture	0.0017	0.0018
Smallholdings - Commercial	0.0139	0.0149
Smallholdings - Residential	0.0069	0.0074
Smallholdings - Other	0.0017	0.0018
Informal Settlements	0.0069	0.0074
Mining and Quarries	0.0208	0.0224
Vacant Land	0.0277	0.0298
Protected Areas	0.0069	0.0074
National Monuments	0.0069	0.0074
Multiple Purpose	0.0139	0.0149

Sale of Water & Sanitation and Impact of Tariff Increases – Refer to detailed tariff schedule contained in Annexure F

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014.

Based on the current year's budget, six months actual income and expenditure, increases in the major cost components of bulk purchases from Rand Water and treatment costs from ERWAT, and an estimated growth in consumption of 1.7%, and 1.2% improvement of efficiency for 2012/2013 The water tariffs have been adjusted with 11.30% and the waste water tariffs with 10.68%.

Bulk Purchase of Water - Bulk purchase of water comprises 52.3% of the Water Service expenditure. At the Major Vaal River User Forum held on 13 July 2011 representatives of the Department of Water Affairs and Environment as well as the Trans Caledon Tunnel Authority announced the following increases in the Vaal River Raw Water Tariff:

	2012/13 c/kl	2011/12 c/kl	Increase %
State schemes	43, 14	39, 71	8,60
Augmentation schemes	207, 33	194, 52	6,58
Total development & use of water works	250, 47	234, 23	6,93

The proposed tariffs were calculated on the assumption that the Rand Water tariff increase will be 11.3%.

Treatment Charges ERWAT - The waste water treatment services by ERWAT comprise 12.6% of the total expenditure budget of Water Services. The amount provided on the 2012/2013 budget reflects an increase of 10.68% on the 2011/2012 budgeted amount.

ERWAT's motivation for this increase is the growth in flow and the need to extend and improve the various Waste Water Treatment Works.

Provision for Bad Debts - The Provision for Bad Debts has been decreased from the revised budgeted amount of R269 782 688 for 2011/2012 to an amount of R257 569 431 (4.5% decrease) for 2012/2013. This is as a result of the bad debt of registered indigents which are written off as per the indigent policy being moved from the provision for bad debt line to the indigent support line.

Depreciation - The provision for depreciation has increased from the revised budgeted amount of R160 175 310 for 2011/2012 to an amount of R164 469 708 (2.7% increase) for 2012/2013.

Repairs and Maintenance - To address critically required maintenance and the refurbishment of water and sewer infrastructure, a 2% maintenance levy, calculated as a percentage of total income was approved for the 2011/2012 financial year. It is recommended that this levy be maintained at 2% for 2012/2013.

The budgeted expenditure of R393 315 629 on repairs and maintenance comprises 11.5% of the Water Services total expenditure and reflects an increase of 10.9% on the previous years revised budget.

Free Basic Water and Sanitation - In addition 6 kℓ water and sanitation per 30-day period will again be granted free of charge to all residents. A further 3 kℓ water per 30-day period will again be granted free of charge to all registered indigent residents.

Sale of Electricity and Impact of Tariff Increases – Refer to detailed tariff schedule contained in Annexure G

Council's existing electricity tariffs were raised to provide an income that will increase by 11.03% year-on-year. This is in response to the Eskom increase of 13.5%. The revised tariff will be applicable as from 1 July 2012.

The Energy budget now has growth predicted at a rate of 1.07%. The lower than expected Eskom increase is bound to stimulate the economy and several larger developments are foreseen in the financial year.

Council needs to pass on various levels of increase to EMM customers that will result in a 11,03% increase in Ekurhuleni revenue, based on an instruction received from the National Energy Regulator of South Africa (NERSA). The figure is based on a 13,5% Eskom increase in the City's bulk purchases.

The tariff levels related to Eskom and municipalities were given as follows by NERSA on 9 March 2012. There is a slightly higher allowed IBT cost for municipal distributors; however, it was decided to opt for the exact rates as Eskom.

4. That the Eskom Inclining Block Tariff rates applicable for the 2012/13 financial year are as follows:

Table 3: 2012/13 revised IBT rates

IBT Tariffs	Block 1	Block 2	Block 3	Block 4
NERSA revised rates – Including Levy (c/kWh)	60.83	75.09	111.42	122.21
Increase per blocks (%)	5.5	13.5	16.0	16.0

5. That the municipal tariff guidelines increase for the financial year 2012/13 is 11.03%.

6. That the municipal tariff benchmarks applicable for the 2012/13 financial year are as follows:

Table 4: 2012/13 revised Municipal Tariff Benchmarks

DOMESTIC TARIFFS(IBTs)				COMMERCIAL 2000 kWh		INDUSTRIAL
Domestic Block 1 0 – 50 kWh (c/kWh)	Domestic Block 2 51 – 350kWh (c/kWh)	Domestic Block 3 351 – 600 kWh (c/kWh)	Domestic Block 4 >600 kWh (c/kWh)	Prepaid	Conventional	43800 kWh (c/kWh)
61 – 66	77 – 82	104 - 109	124 – 129	130 – 135	130 – 135	132 – 137

The revised Eskom increase has now, for the first time, provided Council with the opportunity to match the Eskom IBT levels. This has about a plus 2,5% effect on business tariffs.

Unfortunately, the low monetary values of the new IBT, makes it very difficult to provide FBE and match the Eskom rates.

Electricity tariffs are interrelated, i.e. changes made to the IBT, such as adding FBE, impact on another tariff(s).

Adding FBE to the IBT tariff moves the cross-over point between Tariffs A and B higher, which means:

- Most higher end customers (currently on Tariff B) will be able to migrate to the lowest cost option, which will be IBT with FBE
- This will lead to lower income, as well as an increase in FBE allocations

An innovative method was found to prevent the predicted migration. This involves the addition of a block 5 (> 700 units per month) to the NERSA / Eskom IBT structure, which acts as a theoretical barrier to migration. The “barrier” block is set at a fairly high monetary level and any customers purchasing in this block, should rather move to Tariff B, which will have a lower account at that level of consumption.

Various options were considered in the tariff structure which is set out below:

#	Option	Annual budget required for this option
1	**No FBE to all, only indigents get 100 units.**	R41 million
2	**No FBE, only indigents get 50 units.**	R20 million
3	**All get FBE of 50.**	R81 million (EMM) R37 million (Eskom) **Total = R118 million**

#	Option	Annual budget required for this option
		*** danger of Tariff B customers migrating to IBT, causing potential R90 million loss (based on 100 000 customers migrating)**
4	**All get FBE of 50 until 30 December 2012, then zero. Indigents continue to get 50 for 12 months.**	Est 170 000 customers for 6 months = R32 million (EMM) R20 million (Eskom, 6 months) R20 million (indigents, 12 months) **Total = R72 million** *** danger of Tariff B customers migrating to IBT, causing potential R45 million loss (based on 100 000 customers migrating)**
5	**All Tariff A get 100 units for 12 months, as is currently.**	R180 million (EMM) R81 million (Eskom) **Total = R261 million** *** danger of Tariff B customers migrating to IBT, causing potential R200 million loss (based on 100 000 customers migrating)**

- *The above figures are based on 220 000 EMM FBE recipients, including 50 000 indigent recipients.*
- *Eskom area FBE are based on 100 000 customers.*

As previously, a figure equal to 3,0% of the income is to be ring fenced and placed into a maintenance fund that will only be used to fund critical electricity maintenance and refurbishment. At the level of increase, this maintenance fund is estimated to accumulate to a total of R314 million in the 2012/2013 financial year.

A figure equal to 0,25% of the income is to be ring fenced and placed into an energy efficiency demand side management fund that will only be used to fund critical energy efficiency and demand side management projects. At this level of increase, this fund is estimated to accumulate to a total of R26 million in the 2012/2013 financial year. The fund will be used to convert Council owned assets to become energy efficient, projects such as street light efficiency; building efficiency and possibly a large scale solar geyser roll-out subsidy may qualify.

The following table provides a brief summary of the proposed July 2012 tariff increase and structural changes:

#	Tariff	% increase	Changes to structure, important points
1	Tariff A (Business)	13.5%	None
2	Tariff A (IBT) for indigent customers	First 50 units free **See table lower down in item** (decrease of 12%, increase of R30 for 1st 50 units)	Inclining block rate applied, now matching Eskom. Proposed 50 units free basic electricity apply to indigent customers only.

#	Tariff	% increase	Changes to structure, important points
		* Average consumption levels are at the 350 to 500 kilowatt-hour level for most lower-end use customers.	100 units free basic electricity no longer apply.
3	Tariff A (IBT)	• Average consumption increase of 11,4% due to no more FBE • **See table lower down in item** (increase of R68 for 1st 100 units) * Average consumption levels are at the 350 to 500 kilowatt-hour level for most lower-end use customers.	Inclining block rate applied, now matching Eskom. 100 units free basic electricity no longer apply.
3.a	Tariff A (IBT) for Tembisa customers on the IMS system	Decrease by 12,4%	Customers will pay less than the current year, new rate is 87,0c. The IMS system cannot accommodate the IBT, old price was 97,8c). * Level of 87c determined by using 550 kWh average monthly consumption in Tembisa, applied IBT rate, averaged value to get same account.
4	Tariff B (Residential)	Increase by 11.03%	Tariff remains in place to complement IBT. Best suited to higher users of electricity.
5	Tariff B (Residential and Bulk Residential)	Increase by 11.03%	The existing cost-reflective, complex tariff structure (containing demand charges and network access charges) is simplified to a units charge only. This is in response to the numerous queries and complaints received from this segment of customer.
6	Tariff B (Business and Mixed Business/Residential/Commercial/Industrial)	13.5%	Ampere based charge Structurally no change
7	Tariff C	13.5%	Structurally no change The tariff is increased by a slightly higher margin to make it obsolete in future This is due to the “simplified” nature of the tariff, which is not aligned to the tariff structure at which EMM mainly buys from Eskom.
8	Tariff D	13.5%	Structurally no change
9	Tariff E	13.5%	Structurally no change

It is proposed that a letter explaining the extent of the 01 July 2012 tariff increases in the Ekurhuleni Metropolitan Municipality be distributed to all electricity customers. Newspaper articles containing the same message should be published to inform residents of the proposed tariff c hanges. It is further suggested that the message facility in Council's accounts be utilised to ensure that most customers receive notice of the pending increases.

The following table shows the impact of the proposed increases in electricity tariffs for domestic customers:

Tariff A (IBT) – Non Indigent customer

Monthly consumption kWh	Current amount Payable R	Proposed amount payable R	Difference (Increase) R	Percentage Change %
100	0.00	67.96	67.96	User will now pay for the 1st 100 units
250	138.00	180.60	42.60	30.87%
500	415.70	463.2	47.50	11.43%
750	751.05	825.2	74.15	9.87%
1,000	1,133.80	1,151.45	17.65	1.56%
2,000	2,664.80	2,801.45	136.65	5.13%

Tariff A (Indigent customer)

Monthly consumption kWh	Current amount Payable R	Proposed amount payable R	Difference (Increase) R	Percentage Change %
100	0.00	30.42	30.42	User will now pay for the 2nd 50 units
250	138.00	143.05	5.05	3.66%
500	415.70	367.10	-48.60	-11.69%
750	751.05	656.45	-94.60	-12.6%
1,000	1,133.80	1068.95	-64.85	-5.72%
2,000	2,664.80	2718.95	54.15	2.03%

Tariff B Residential Customer

Monthly consumption kWh	Current amount Payable R	Proposed amount payable R	Difference (Increase) R	Percentage Change %
100	97.80	108.59	10.79	11.03%
250	244.50	271.47	26.97	11.03%
500	489.00	542.94	53.94	11.03%
750	733.50	814.41	80.91	11.03%
1,000	978.00	1085.87	107.87	11.03%
2,000	1956.00	2171.75	215.75	11.03%

We will continue to explore our own mandate towards the implementation of solar geysers to lower end users of electricity, as well as the future use of renewable energies. More efficient

street lights are being installed, whilst retrofits are also executed to replace old technology mercury vapour lamps and fittings.

Revenue enhancement projects will see a continued focus on un-bypassing prepayment meters (as well as protecting them), with a view to also assist Finance in achieving payment for other services, such as water. Revenue is also enhanced by the continual refinement of energy tariffs, derived from our analysis of Eskom supply tariffs, as well as those of other key players in the South African Energy market. Finally, back office work will see more business processes implemented and these will lead to better efficiencies and a better service to our Energy customers.

Waste Removal and Impact of Tariff Increases – Refer to detailed tariff schedule contained in Annexure H

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The City will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration.

Resulting from the ongoing deficits, a tariff determination study was done in 2011/12 and the purpose was to achieve the following:

- Review tariff structure for waste management service
- Determine the current cost of providing the WM service for different types WM services and areas
- Based on the known cost, propose a new tariff structure that takes into account cost and other factors for various types of services
- Compare costs for in sourced and outsourced services
- Highlight inefficiencies in the current operations

Some of the key findings of the study are highlighted in the report:

Tariff Model	Advantages	Disadvantages
Stand Size based	• Simple • Social subsidy of poor by the rich/affordability related	• Subjective • Not scalable i.e. not related to usage • Not directly related to cost • Can lead to over-pricing or under-pricing of services
Property value based	• Simple • Social subsidy of poor by the rich/affordability related	• Subjective • Not scalable i.e. not related to usage • Not directly related to cost • Can lead to over-pricing or under-pricing of services

Tariff Model	Advantages	Disadvantages
Bin size/cost based	• Scientific and objective • Takes into account cost and promotes right-pricing • Promote business approach to running of operation • Scalable – i.e. can be made to relate to usage	• Complex • Requires extra measures for social differentiation

- EMM is currently using stand size model and 240 litre bin model where roll out has taken place.
- The comparison made puts the bin size/cost based model forward as the most representative of cost reflective principle.

Methodology used for bin size/cost based model

- Identified major cost inputs to provide the various types of services (e.g. round collection, bulk container)
- Transport, personnel, maintenance, consumables, capital etc. – have been noted as major inputs
- Created a representative sample of measurement involving collection trucks, and areas and type of services
- Used GPS based fleet management solution to monitor truck activities
- Used manual data recording supported by the GPS system to collect other types of data, esp. labor
- Also used historical records for some types of data, including capital, maintenance, consumables usage, and overheads
- Applied data into a computer model to arrive at unit cost (per ton) and to draw trends for all types of services and areas
- Used the information as input to a new tariff model

Critical factors affecting tariff increase

- Waste services, with the exception of landfills, is in essence a transport intensive operation and is therefore sensitive to increases in transport inputs (approximate increases):
- Average increase: oils and lubricants - 28%
- Average increase: fuel costs - 28%
- Average increase: tyres - 25%
- Average increase: Licence fees - 15%
- Average increase: general spares to maintain the fleet - 18%
- Waste collection is a labour intensive operation and labour costs tend to have a ripple effect on cost of service - 10%

It is recommended that, despite the fact that the current domestic tariffs are 24% below the cost (and 10% margin) level calculated by the study, the increase should be limited to 15% as per the previous MTREF indicative tariff increases. Instead, measures should be implemented to reduce the fixed costs, which will reduce the cost to levels commensurate with the current tariff levels.

The increase will be applicable as from 1 July 2012.

The following table compares current and proposed amounts payable from 1 July 2012:

Residential Stand Size	CURRENT TARIFFS 2011/12	PROPOSED TARIFFS 2012/13	% Increase
0 - 300 m^2	R70.85	R81.48	15%
301 - 600 m^2	R82.77	R95.19	15%
601 - 900 m^2	R91.94	R105.73	15%
901 - 1200 m^2	R101.14	R116.31	15%
1 201- 1 500 m^2	R116.46	R133.93	15%
1 501- 2 000 m^2	R131.78	R151.55	15%
2 000 m^2 +	R147.09	R169.15	15%

Other Tariff Increases – Refer to detailed tariff schedule contained in Annexure I

Tariff increases for other services rendered are contained in Annexure I of the item.

REVIEW OF BUDGET RELATED POLICIES

The City's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

The entire set of Budget Related Policies can be viewed on the EMM website: http://www.ekurhuleni.gov.za

Review of Tariff Policies

The City's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

Tariffs By-law

The City's Tariff By-laws were approved by Council per Item A-F (44-2011) dated 20 April 2011. No amendments are proposed for the 2012/2013 MTREF.

Property Rates Policy

The policy was last reviewed by Council as part of the 2011/2012 MTREF per Item A-F (44-2011) dated 20 April 2011.

During the current year's review process, no significant content changes were recommended to the policy, but grammatical changes were made to ensure the policy content is clearly articulated.

The draft policy (as revised) is contained in Annexure M.

Electricity Tariff Policy

The policy was last reviewed by Council as part of the 2011/2012 MTREF per Item A-F (44-2011) dated 20 April 2011.

As part of the current year's review process, it is proposed that the blanket FBE no longer be made available to Ekurhuleni customers and Eskom customers within the Ekurhuleni boundaries. It is proposed that only indigent customers receive an allocation of FBE, due to the low rates of the inclining block tariff.

The draft policy (as revised) is contained in Annexure N.

Provision of Free Basic Electricity

The policy was last reviewed by Council as part of the 2011/2012 MTREF per Item A-F (44-2011) dated 20 April 2011.

As part of the current year's review process, it is proposed that the blanket FBE no longer be made available to Ekurhuleni customers and Eskom customers within the Ekurhuleni boundaries. It is proposed that only indigent customers receive an allocation of FBE, due to the low rates of the inclining block tariff.

The draft policy (as revised) is contained in Annexure O.

Water and Wastewater Tariff Policy

The policy was last reviewed by Council as part of the 2010/2011 MTREF per Item A-F (22-2010) dated 27 May 2010.

As part of the current year's review process, made minor semantic and structural changes were made to the policy, but the essence of the policy remained the same.

The draft policy (as revised) is contained in Annexure P.

Provision of Free Basic Water and Wastewater Policy

The policy was last reviewed by Council as part of the 2010/2011 MTREF per Item A-F (22-2010) dated 27 May 2010.

As part of the current year's review process, made minor semantic and structural changes were made to the policy, but the essence of the policy remained the same.

The draft policy (as revised) is contained in Annexure Q.

Solid Waste Tariff Policy

The policy was last reviewed by Council as part of the 2010/2011 MTREF per Item A-F (22-2010) dated 27 May 2010.

As part of the current year's review process, the following amendments are proposed:

- The phasing out of rendering refuse removal service using a bag system over several years dependent on budget provision, to servicing EMM using a 240 liter wheelie bin to cover areas at which the roll out has not taken place.
- Introduction of city cleansing levy to cover to an extent the cost of non-revenue generating services.
- The Policy did not cover disposal sites previously.
- Policy decision made to have a separate tariff for flat/town houses making use of static compactors.

The draft policy (as revised) is contained in Annexure R.

Review of Debtors Management Policies

Credit Control & Debt Collection Policy

The Credit Control and Debt Collection and Policy as approved by Council on 25 June 2009 is currently under review. The policy was last reviewed by Council as part of the 2010/2011 MTREF per Item A-F (22-2010) dated 27 May 2010.

While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. The main changes proposed to the policy are in respect of a change from the focus on the "Consumer of Services" to differentiation of customers.

The revisions include:

- Review policy wording, references, definitions, structure
- Focus on "Customer" with all related services
- Add liability of "Holding Company" and or "Subsidiaries"
- Add reference to Councillor services accounts
- Add reference to Staff services accounts
- Add Payment Extension process
- Add Debt Repayment Arrangement requirements

The draft policy (as revised) is contained in Annexure S.

Indigent policy

Council has also approved an Indigents Policy on the 30 November 2006 as most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed.

The policy was last reviewed by Council as part of the 2010/2011 MTREF per Item A-F (22-2010) dated 27 May 2010.

This policy is also being reviewed and the following changes are proposed:

Existing	**Revised**
• Period of expiry 24 months • Indigent Register compiled in respect of households only. • Verification Process done by Field Workers only. • Approval done by Committee.	• Period of expiry 36 months • Indigent Register compiled in respect of both Households & indigent persons. • Dual process of verification: Desktop study & Field workers. • Approval governed by desktop study.

The 2012/13 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 92 per cent on current billings.

The draft policy (as revised) is contained in Annexure T.

Provision for Doubtful Debt and Debt Write Off

The Provision for Doubtful Debt and Debt Write Off policy deals with the method in which consumer debtors are impaired as required by GRAP 9 and sets out the process to be followed in the cases of debt being written off.

The policy was originally approved by Council per Item A-F (44-2011) dated 20 April 2011 and was subsequently amended per Item A-F (58-2011) dated 26 October 2011.

No amendments are recommended as part of this review process.

Policy on electricity metering for residential and small business customers in the Ekurhuleni Metropolitan Municipality

The following minor changes are proposed to this policy, which has originally been approved by Council per item MI (55-2003) dated 24/03/2003. The policy has not been amended since.

Ekurhuleni owned property rented to own staff, which are typically properties occupied by employees of Community Safety as well as Departments with similar employment benefits. Due to traditional arrangements, some of these meters are not read or charged to the individual employees residing in the properties. The informal nature of the traditional arrangement regarding a free electricity service requires formalization:

a. any special arrangement with regards to free electricity to certain individuals, needs to be quantified and ratified by the appropriate governance structure;
b. a special tariff code will then be created on the prepayment vending system, which will issue electricity units in accordance to the special tariff to specified customers;

A prepayment meter is to be installed at every individual rental property. In the case of a communal property, a prepayment meter is to be installed at technical separation points and the combined consumption (and purchasing of units) needs to be managed by any fair method to be employed by the building manager / owner.

Accessibility problems, where regular meter readings cannot be obtained, will be addressed as follows:

a. installation of a prepayment meter, at the cost of Ekurhuleni (and subject to available funding), or
b. moving the inaccessible credit meter to a suitable location following a costing provided to the customer (and payment received).

New residential and small business connections - Prepayment metering will be the <u>only</u> option to customers, unless, the connection is sized bigger than the technical current carrying capacity of a prepayment meter. This will aid in reducing meter readings, as well as the associated problems involved with manual meter reading.

The draft policy (as revised) is contained in Annexure U.

Review of Budget and Accounting Policies

The following policies have been recommended for amendment as part of the review process:

Planning and Approval of Capital Projects Policy

The policy was last reviewed by Council as part of the 2011/2012 MTREF per Item A-F (44-2011) dated 20 April 2011.

The challenges that the Metro experienced with the implementation of the capital budget led to the proposed amendment to the Planning and Approval of Capital Projects Policy.

In future, all capital projects submitted for funding must be registered with the EPMO where after the following process will be rolled out.

- Initiate project through project Description submitted to EPMO.
- Develop project charter
- Develop provisional activity based project plan using the approved electronic software
- Develop budget and cash flow linked to project activities and calculate total budget required (all budgets will start from 0 based).
- Capture project plan and cash flow on project monitoring software.

This process will be a continuous process to be followed as and when projects are identified throughout the year. The intention is to produce a draft proposed budget at the end of November of each year with fully developed project plans and cash flows for each project. No projects will be considered for inclusion in the multiyear CAPEX if this process was not followed.

The draft policy (as revised) is contained in Annexure V.

The following Budget and Accounting Policies are not changed:

- Accounting Policy – last reviewed by Council per item A-F (44-2011) dated 20 April 2011
- Borrowing Policy – last reviewed by Council per item A-F (44-2011) dated 20 April 2011
- Budget Implementation and Monitoring Policy – last reviewed by Council per item A-F (44-2011) dated 20 April 2011
- Municipal Entities Policy – last reviewed by Council per item A-F (22-2010) dated 27 May 2010
- Developer contributions for property developments – Electricity - approved by Council per item A-IS (07-2008) dated 27 November 2008
- Developer contributions for property developments – Water and Wastewater - approved by Council per A-IS (8a-2008) dated 29 January 2009
- Developer contributions for property developments – Roads - approved by Council per item A-IS (1-2009) dated 25 June 2009

Review to the Cash Management and Funding Policies

Long Term Financial Plan

The policy was last reviewed by Council as part of the 2011/2012 MTREF per Item A-F (44-2011) dated 20 April 2011.

Funding requirements (both operating and capital) must be determined annually (based on the long term planning framework), along with an assessment of the funding sources. This annual assessment of funding requirements and sources takes into account a multi-year

period, and is done in order to determine the adequacy of the funding sources available to meet the requirements established. Council must take into account how funding decisions affect the operating budget for the multi-year period, which will include the long term impact on tariffs.

The draft policy (as revised) is contained in Annexure W.

Cash Management Policy

The policy was last reviewed by Council as part of the 2011/2012 MTREF per Item A-F (44-2011) dated 20 April 2011.

The aim of the policy is to ensure that the City's surplus cash reserves are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time.

The policy is being reviewed insofar as the cash backing of reserves as well as the quantum of working capital is concerned.

The following requirements are added:

- Working capital: The difference between current creditors and current debtors must be retained in cash as working capital
- Depreciation: The depreciation cost item (net after offset depreciation) is to be appropriated towards the following cash expenditures:
  - Redemption of external loans
  - Investments made to provide for the redemption of external loans
  - Capital funded from revenue
- Any amounts left from the depreciation cost item (net after offset depreciation) after the above has been provided for, must be retained in cash to fund future asset renewals.

The draft policy (as revised) is contained in Annexure X.

Investment Policy

The policy was last reviewed by Council as part of the 2011/2012 MTREF per Item A-F (44-2011) dated 20 April 2011.

The policy is being reviewed insofar as the approval of the placement of investments is concerned. Section 7 dealing with the Delegation of Authority is revised to read:

Authority to manage EMM's investment portfolio is delegated as follows:

- The Chief Financial Officer to invest any amount (after taking due cognisance of the liquidity requirements of EMM) of the short-term funds in terms of the provisions of the investment policy (previously delegated to the City Manager)
- The Bid Adjudication Committee or City Manager to approve the investment of long-term funds in terms of the provisions of the Investment Policy and Municipal Supply Chain Management Regulations in accordance with the process as stipulated in the Supply Chain Management Policy (previously approved by the Bid Adjudication Policy).

The draft policy (as revised) is contained in Annexure Y.

Funding and Reserves Policy

The policy was last reviewed by Council as part of the 2011/2012 MTREF per Item A-F (44-2011) dated 20 April 2011.

The policy is being reviewed to have more generic wording allowing for the funding of the budgets to be dealt with in the annual MTREF as opposed to in a policy document. The following specific changes are recommended:

- Reference to a specific method of project prioritisation was replaced with reference to the Project Prioritisation Model as approved by Council.
- References to borrowing were removed as there is a borrowing policy that governs the Metro's borrowing processes.
- The section dealing with internally generated funds were simplified to avoid ambiguity in the policy.

The draft policy (as revised) is contained in Annexure Z.

Review to the Grants related Policies

Grants in Aid Policy

The existing Grants-in-Aid Policy makes provision for a committee of councillors to recommend the annual Grants-in-Aid allocations to the Mayoral Committee. This committee has over the past four years worked intensively to streamline and standardise the processes involved which make the allocation very much an Administrative process complying with the MFMA, Policy and guidelines set by the Committee. In compliance with the Administrative Justice Act, strict compliance with such directives is imperative and should not leave interpretation "grey" areas.

Council when it approved the original Grants-in-Aid Policy, also decided that in each financial year 10% of the total sum of money allocated for Grants-in-Aid shall be reserved for contingencies, the utilization thereof for any emergencies/urgent or deserving cases shall be at the discretion of the Mayor as recommended by the Grants-in-Aid Committee. The need for the latter provision of involvement by the Mayoral Office was brought in to expedite payment processes and *this need in the Policy has fallen away* as all offices must now follow the same payment processes.

Future Grants-in-Aid will be awarded in terms of section 67 of the MFMA based on recommendations to the Mayoral Committee by a Grants-in-Aid Committee established under the Executive arm of Council. These recommendations will be informed by the approved scope of authority of the Grants-in-Aid Committee, Council's Grant-in-Aid Policy and budgetary provisions.

Main changes proposed to the grants in aid policy include:

- The wording of the policy were brought in line with present day legislation and processes;
- The percentage allocation to categories were amended as the provision for contingencies was too high;

- The need for the annual transfer of the contingency amount to the Executive Mayor's Discretionary Fund to facilitate payment has fallen away as all payment processes now follows the same prescribed financial route;
- Old outdated provisions for Grants-in-Aid such as property rates relief, interest on loans for property improvements, rental of municipal property, etc, have been deleted;
- Practical allocation criteria developed and applied by the Grants-in-Aid Committee over the past four years were included in the Policy – sections E 18 – 20.

The policy was originally approved by Council per Item A-CL (49-2004 dated 27 January 2005 and last reviewed by Council per item A-CORP (54-2009) dated 27 August 2009.

The draft policy (as revised) is contained in Annexure ZA.

Acceptance of Grants, Donations and Sponsorships

The Acceptance of grants, donations, sponsorships and gifts policy deals with the acceptance of grants (whilst the grants-in-aid policy deals with the allocation of grants). This policy is remaining unchanged.

The policy was originally approved by Council per Item A-F (22-2006) dated 25 May 2006 and no changes were made in subsequent reviews.

No amendments are recommended as part of this review process.

Review of Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in with effect from 1 March 2006. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

The policy was originally approved by Council per Item A-F (02-2006) dated 26 January 2006 and reviewed by Council per Item A-F (36-2006) dated 30 November 2006.

Review of Other Policies

Asset Management Policy

The Asset Management Policy was originally approved by Council per Item A-F (10-2005), dated 28 April 2005 and subsequently revised by Council per Item A-F (17-2007) dated 31 May 2007.

This policy guided the treatment of Council's assets. However, many legislative matters came into effect for the controlling and managing of Council's assets. New administrative processes must be adopted to ensure good governance and safeguarding of Council's assets in line with the revised legislation and best practice guides.

It is thus recommended that the existing Asset Management policy be repealed and be replaced with an Accounting Policy for Assets in which the high level asset accounting treatment are addressed. In support of this policy an Asset Management Procedures Manual dealing with the operational processes in managing the assets to ensure the proper control and safeguarding of assets will also be compiled and maintained by the CFO. This document will be a comprehensive administrative guidance document with the processes to

be followed to manage Council's assets and it will be linked up with cross referencing to the Accounting Policy for Assets on relating matters.

The draft policy is contained in Annexure ZB.

Uniform Cell Phone Policy

The policy was originally approved by Council per Item BHR (26-2007) dated 23 August 2007 and has not been reviewed since.

As part of the review of the policies, it is recommended that clause 9.4 of the Uniform Cellular Phone Allowance Policy for Employees be amended to read as follows:

- Annual Increases - The CFO will evaluate the need to adjust cellular allowances in accordance with the annual increases of the annual salary adjustment of the EMM, such adjustments to be implemented administratively by the CFO in consultation with the City Manager. Should the general market increase to cellular costs exceed the annual cost of living salary adjustment, the CFO will be authorised to increase the allowances with the general market increase and not the annual cost of living salary increase.

The draft policy (as revised) is contained in Annexure ZC.

Compliance with National Treasury Requirements

National Treasury 2011/2012 IDP/Budget Benchmark Report

As part of National Treasury's review of the 2011/2012 IDP/Budget, a number of recommendations were made. The Budget Steering Committee must review the recommendations as well as the corrective measures put in place to address these recommendations.

Recommendations were as follows:

- Improve the quality of the adopted budget to ensure that it is credible, sustainable and funded with specific focus on the cash flow and cash reserves forecasts (table A7 and A8). Going forward the quality of the draft budget should also significantly be improved to ensure community and stakeholder consultation is not compromised.

This is being implemented as highest priority. The budget is being evaluated based on table A7 and A8 to ensure a credible budget is compiled (and not only a balanced budget). The liquidity levels of the Metro are still not at the desired levels, but the MTREF shows that liquidity levels will improve over the medium term. The challenge, however, is that the process of improving liquidity levels places tremendous downward pressure on the expenditure budget of Council and departments are finding it increasingly difficult to render quality services with the funds available to them.

- Review the adequacy of the 2011/12 MTREF allocations to address the risks relating to the inadequate waste water capacity of the municipality over the medium to longer term.

This matter is being addressed through the on-going grant funding provided to ERWAT who is the municipal entity responsible for the sewer purification works. In addition, the Metro granted ERWAT a guarantee for a loan of R550 million to place them in a position to expand their infrastructure works. The Metro will take the long term funding needs of ERWAT into

consideration when compiling its long term funding strategy during the latter part of the 2011/2012 financial year.

Tariff increases of ERWAT were capped in the past to keep the cost to the consumers as low as possible, but the current practice is to allow for realistic tariff increases that takes the capacity requirements into account. An increase of 12% has been recommended for the 2012/2013 financial year.

- Reviews the affordability and sustainability of its total free social services package in the context of its huge backlogs, deferred repairs and maintenance and slow and delayed eradication of backlogs.

The provision of free basic electricity to all Tariff A users have been amended and only indigents will in future receive free basic electricity. The problem is, however, far greater than only the decision on the level of free basic services to provide. The Metro has more than 100 informal settlements and a number of townships where the majority of the residents are unemployed. The ideal of economic growth and job creation is being pursued but this is not a short term process with immediate yields. The solution to the problem in the medium term is increased funding in the form of equitable share allocations to fund the social support programme.

- Fast track the assessment of repair and maintenance and basic services backlogs coupled with finalising strategies and implementation plans to address these.

The condition of all assets has been assessed and the Metro now has accurate statistics on the amounts required for the repair and maintenance of assets as well as the backlogs in infrastructure services. The backlog in social services is linked to service standards, and this is a challenge that remains. National standards are not available for all services, and in addition, where standards are available, these are not necessarily affordable as the social services are not income generating. A good example is the health service where clinics are constructed in terms of the national standards, but the cost of operations is not funded by National or Provincial government. The additional pressures placed on the assessment rates income results in tariffs that may not be affordable to communities. This is a national problem with great implications to service delivery and can't be left to the municipality to solve on its own. Whilst the National government has made great strides towards the funding of infrastructure, the cost of operations are still left to municipalities.

- Considering the significant variances compared to 2010/11 MTREF baseline and growth trends, the financial planning and budgeting methodology of Ekurhuleni is concerning and should be reviewed.

Financial planning for the 2012/2013 – 2014/2015 MTREF period has been reviewed. Revenue projections have been limited to conservative increases based on proven growth levels shown over the previous three years. The ESKOM tariff increases are placing a serious constraint on the revenue potential of the Metro and the compilation of the MTREF has proven to be very challenging. A further challenge remains the late release of the Division of Revenue Act as changes to the grants framework can have a significant impact on future year budgets. It is believed that the revenue budget forecasts are more credible than in the past, however, the limited expenditure growth is concerning. CPI does not reflect the cost increases of municipalities and levels of service will reduce with the real expenditure budgets are reduced on a year to year basis.

- Simplify and improve the user friendliness of the budget narratives by strengthening the budget with more detail on the budget tables and planning assumptions. In particularly, transparency on tariffs should be improved.

The budget document contains far more narrative and less figures and tables this year in an attempt to simplify the documents. A section dealing with tariff increases will be included in the budget document this year and not as separate tariff items as in the past. Planning assumptions will be shown in the Executive summary section of the document for ease of reference. The "Dummy Budget Guide" is being followed and the EMM document will be a reflection of the "Dummy Budget Guide" to ensure user friendliness.

- Strengthen the budget narratives to clearly demonstrate the alignment with National and Provincial priorities, including articulation of budget appropriations in this regard.

The IDP and SDBIP have been compiled based on the National Outcomes as main method of categorisation. The IDP / Budget reconciliation is now also based on the National Outcomes clearly illustrating the alignment with National and Provincial priorities.

- Fast track the implementation of Ekurhuleni's 25 year Spatial Development Framework to inform capital budget prioritization and allocations. Capital budget narratives should also be strengthened by including multi-year capital planning and budget assumptions supporting Ekurhuleni's capital budget tables. Ekurhuleni advised that its adopted budget does not provide a breakdown of the 2013/14 capital allocations due to the municipality providing its new council an opportunity to re-prioritise allocations after the elections. This should be corrected with the mid-year review and adjustments budget.

The 2012/2013 – 2014/2015 capital budget is a detailed project budget as required. The budget has been aligned with the Spatial Development Framework (SDF) insofar as practical possible. The capital budget has been mapped according to the CIF to show the alignment. All projects will in future be subjected to full project prioritisation against the MSDF and CIF before it will qualify for funding.

National Treasury Circular 58

The pertinent aspects of National Treasury Circular 58 and how the guidance has been applied in the budget are discussed hereunder:

1. Revenue management – revenue projections have been reduced to ensure credible revenue projections.
2. Collecting outstanding debt – the Metro is anticipating selling the right to collect the debtors book. The possible proceeds from this transaction is not included in the budget projections and will be used for the re-instatement of the Metro's reserves and liquidity position.
3. Pricing services correctly – services are priced at gross and net margins for each service are shown. All services are not yet at break-even and it is being phased in. At present, the refuse collection service does not break-even.
4. Under spending on repairs and maintenance – the repairs and maintenance budget has been increased with 7% (taking into account that the ring-fenced portion of collection rates included in the R and M budget is no longer included in the budget). The inflation forecast of National Treasury is 5.4% and the increase is thus an increase of 1.6% in real terms.
5. Spending on non-priorities – all budget allocations have been linked to both the National outcomes as well as the IDP deliverables to identify spending on priorities.
6. Creating decent employment opportunities – increased allocations for the roads and stormwater budget is anticipated to have a positive impact on the EPWP programme.
7. Allocations to local government – the budget are based on the 2011 DORA at present. Adjustments will be made once the 2012 DORA has been issued.

8. Salary and wage increases – National Treasury advises that a 5% increase must be budgeted for but the budget includes a 7% provision as cost of living increase.
9. Tariff increases in excess of 6% must be justified in the budget documentation – all tariff increases of the EMM are in excess of 6%. The increases are discussed in the section dealing with tariff items. In general, however, the input cost (bulk purchases) is well in excess of the 6% limit set. The cost of electricity increases by 13.5%, the cost of water by 13.5%, the cost of sewer purification by 12% and the cost to maintain landfill sites are far in excess of CPI. It is unrealistic of National Treasury to expect that tariff increases be limited to 6%.
10. Funding choices and management issues: Non priority spending is limited and increases were not allowed in the MTREF. The following non priority items are listed by National Treasury:
    - Excessive sponsorships of music festivals, sporting events, etc.
    - Public relations projects
    - LED projects that serve the narrow interest of only a small number of beneficiaries
    - Excessive catering for meetings
    - Arranging workshops at expensive private venues, especially ones outside the municipality
    - Excessive printing costs
    - Excessive luxurious office accommodation
    - Foreign travel, particularly “study tours”
    - Excessive councillor and staff perks
    - Excessive staff in the office of the Mayor, particularly political “advisors” and “spokespersons”
    - Donations to individuals other than in terms of the indigent or bursary policy such as donations to cover funeral costs (other than pauper burials)
    - Costs associated with long standing staff suspensions
    - Use of consultants to perform routine tasks
11. Three and one year capital appropriations – capital projects have been budgeted for over the medium term as per the NT guidance
12. Depreciation – the “offset depreciation” model applied by the EMM has the same effect on tariff setting as the approach taken by National Treasury. The NT forms will be completed as per the circular.
13. Creation of capital replacement reserve – NT indicates that it is neither necessary nor prudent for a municipality to create a capital replacement reserve. The EMM does not have a capital replacement reserve. The replacement of assets will be provided for as part of the long term funding strategy.
14. VAT treatment of conditional grants – all conditional grants is VAT inclusive and must be treated as such.
15. Benefits to mayors and councillors – the EMM only provides benefits as per the Public Office Bearers Act 20 of 1998. The circular indicates that the municipality may not give or allocate laptops, notebooks, iPads or other gadgets to councillors and Mayors. The EMM does not give any laptops to councillors, but does allow the use of council owned assets by councillors in the execution of their duties.
16. Budget management issues:
    - Mayor’s discretionary funds is regarded as bad practice – the EMM budget contains a Mayoral discretionary fund but this fund is used in accordance with normal financial practices that are in compliance with the MFMA.
    - Unallocated ward allocations – the EMM budget only contains R200 000 per ward as part of the Community Based Planning project as well as the project per ward initiative which is aimed at cleaning the community. This is not regarded as being material and the benefits to the community is evident on both allocations.

- New office buildings – NT will be advised if the EMM decides to continue with the new HQ building. At present the budget does not contain provision for the new HQ in totality, but only for smaller densification projects within council owned buildings
- Virement policies – the EMM has a virement policy as part of the Budget Monitoring and Implementation Policy.
- Clean water and managing water supplies – the budget book will contain adequate information on the management of water and sanitation.
- Renewal and repairs of existing assets – allocations are made in both the capital and operating budget for both asset renewals and maintenance.
- Budgeting for an operating deficit – the EMM does not budget for a deficit.
- Credit cards and debit cards linked to municipal bank accounts – the EMM does not have any debit or credit cards. Only petrol cards are issued to certain EMPD officers due to the nature of their duties.
- Municipal IT systems – National Treasury will be advised before any decisions are taken to replace the EMM financial system. There are no plans for this in the MTREF period.

17. Conditional grants – unspent conditional grants are dealt with as per the relevant circulars.
18. Budget and reporting regulations – the budget is compiled as per the Budget and Reporting Regulations.
19. Consolidated financial reporting – A consolidated budget is supplied to NT in additional to the EMM budget and the individual entity budgets.
20. Internal charges – the EMM budget still contains internal charges. The NT schedules require NO internal charges to be reflected. The internal charges are netted off within the budget and are not reported to National Treasury. Internal charges cannot be ignored completely as this forms a vital part of the financial management system of a municipality. This matter will be further taken up with National Treasury as this will lead to incorrect costing of services and as such incorrect tariff setting.
21. Cost of free basic services and the revenue cost of free services – the EMM budget currently treats all free services (be it free basic or free services) at the revenue cost as the cost per unit inclusive of operational and capital cost do not significantly differ from revenue cost.

CONCLUSION AND WAY FORWARD

The Draft Integrated Development Plan and the Draft Medium Term Revenue and Expenditure Framework for the 2012/2013 to 2014/2015 financial period, inclusive of all Budget Related Policies be considered by the Mayoral Committee on the 14th March 2012 and then formally tabled to Council at the end of March 2012 Council Meeting. Immediately after tabling to Council, the community consultation process, including the oversight process must be commenced with.

ORGANISATIONAL AND HUMAN RESOURCE IMPLICATIONS

None

FINANCIAL IMPLICATIONS

None

LEGAL IMPLICATIONS

The legal section has not been approached for comments.

COMMUNICATION IMPLICATION

Immediately after tabling to Council, the community consultation process, including the oversight process must be commenced with.

This will include the following:

- Documentation to be placed on the website
- Budget tips campaign to be launched
- Copies of all documentation to be made available at all libraries and pay points
- Community Consultation meetings to be arranged
- Documentation to be circulated to National and Provincial Departments
- Advertisements to be placed in the media advising the community of the consultation process

OTHER DEPARTMENTS/ BODIES CONSULTED

The Institutional Strategy, M & E and Research department was involved in the development of the IDP section of the report.

The recommendations have been presented to the Senior Management Team and are supported.

RECOMMENDATIONS FROM THE EXECUTIVE COMMITTEE

RECOMMENDATION

1. **That** the report of the Accounting Officer regarding the Draft Reviewed Integrated Development Plan and the Draft Medium Term Revenue and Expenditure Framework for the 2012/2013 to 2014/2015 financial period **BE NOTED.**

2. **That** the Draft Reviewed Integrated Development Plan and the Draft Medium Term Revenue and Expenditure Framework for the 2012/2013 to 2014/2015 financial period, inclusive of draft tariffs and draft budget related policies as contained in the Budget Document **BE NOTED** in terms of Section 16 of the Municipal Finance Management Act**.**

3. **That** the Draft Reviewed Integrated Development Plan and the Draft Medium Term Revenue and Expenditure Framework for the 2012/2013 to 2014/2015 financial period, inclusive of draft tariffs and draft budget related policies as contained in the Budget Document **BE SUBJECTED** to a detailed review and community consultation process in terms of Sections 22 and 23 of the Municipal Finance Management Act and that the consultation process be done in accordance with Chapter 4 of the Municipal Systems Act.

4. **That** the Draft Medium Term Revenue and Expenditure Frameworks of the Municipal Entities for the 2012/2013 to 2014/2015 financial period as well as the Draft Measureable Performance Indicators as contained in Annexures C and J of this report **BE NOTED** and included in the Community Consultation Process as required by Section 87 of the Municipal Finance Management Act.

5. **That** the Municipal Entities **PRESENT** their proposed salaries and benefits for the 2012/2013 financial year to the EMM Remuneration committee before the end of April 2012 for purposes of setting of upper limits as required by section 89 of the Municipal Finance Management Act.

6. **That** the Final 2012 - 2017 Reviewed IDP and the Draft Medium Term Revenue and Expenditure Framework for the 2012/2013 to 2014/2015 financial period, inclusive of draft tariffs and draft budget related policies **BE SUBMITTED** to Council for final consideration at the end of May 2012 as required by section 24 of the Municipal Finance Management Act.

7. **That** the Final Medium Term Revenue and Expenditure Frameworks of the Municipal Entities for the 2012/2013 to 2014/2015 financial period as well as the Final Measureable Performance Indicators **BE SUBMITTED** to the respective Entity Boards for final consideration at the end of May 2012 as required by section 87 of the Municipal Finance Management Act.

8. **That** it **BE NOTED** that the budget of the Ekurhuleni Development Company is based on the assumption that the Ekurhuleni Metropolitan Municipality will redeem the capital loans of the EDC to an amount of R30 million.

9. **That** the R30 million loan redemption referred to in 8 above **BE APPROVED** and that the loans be redeemed at the beginning of the 2012/2013 financial year.

10. **That** the names of the departments listed below **BE AMENDED** and that the Human Resource Management and Development Department submit a consolidated report containing the revised organisational structure of Council with the final departmental names to Council:

Departmental Name as per Item A-CORP (117-2010) dated 25 November 2010	**Revised Departmental Name**
Finance	Financial Services
Facilities Management	Real Estate
Communication	Communications and Marketing
Public Transport	Transport
Housing	Human Settlements
Emergency and Disaster Management	Disaster and Emergency Management Services (DEMS)
HR	Human Resource Management and Development